

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6751

BILL NUMBER: HB 1102

NOTE PREPARED: Dec 26, 2006

BILL AMENDED:

SUBJECT: Tax Credit for Volunteer Health Care Service.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a credit against Adjusted Gross Income Tax liability to health care professionals who provide volunteer health care service. It provides that the credit is equal to \$50 per hour of volunteer health care service provided by the health care professional, up to a maximum of \$5,000 per taxable year.

Effective Date: January 1, 2008.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for volunteer health care services. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of health care professionals who provide volunteer health care services in or on behalf of health care facilities. The revenue loss due to the credit is indeterminable. Available data describing volunteer service provided in hospital and health care settings is insufficiently detailed to generate estimates of volunteer health care services provided during the year in or on behalf of health care facilities for which the facilities are not compensated. However, if 1,000 health care professionals each provided 50 hours of creditable volunteer service on an annual basis, the tax credits for this service would total \$2.5 M. It is estimated that approximately half of this credit total could be claimed against tax liability in the year the service is provided, with the remainder being carried over and potentially claimed in subsequent tax years.

Background: The bill establishes a nonrefundable AGI Tax credit equal to \$50 per hour of health care service

that a "health care professional" provides on a voluntary basis during the taxable year at or on behalf of a "health care facility". The total credit a taxpayer may claim for volunteer service conducted during a taxable year is \$5,000. Credits exceeding a taxpayer's AGI Tax liability may be carried forward for up to five years. Excess credits may not be carried back. The bill requires health care facilities to annually issue a statement of service dates and hours to health care professionals providing creditable volunteer service. The bill requires health care professionals to submit this statement with the individual's tax return to claim credit for the service. Eligible "health care professionals" would include physicians, dentists, chiropractors, podiatrists, optometrists, nurses, physical therapists, physical therapy assistants, speech language pathologists, audiologists, speech language pathology aides, audiology aides, occupational therapists, occupational therapist assistants, social workers, social work assistants and pharmacists. The bill defines a health care facility as hospitals, private mental health institutions, tuberculosis hospitals, health facilities, rehabilitation facilities, and kidney disease treatment centers.

Since the bill is effective beginning in tax year 2008, the fiscal impact could potentially begin in FY 2009. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Currently, there are almost 164,000 health care professionals in Indiana. It is estimated that there are about 111,000 Indiana residents currently providing volunteer services in hospital and health care settings. The median annual hours of service provided by Indiana volunteers is currently estimated at 50 hours. However, the percentage of volunteers in hospital and health care settings who provide services that would qualify for the tax credit, and the hours of qualified service they provide annually, is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Wade Lowhorn, Indiana Professional Licensing Agency, (317) 232-3901; Corporation for National and Community Service, *Volunteering in America: State Trends and Rankings*, <http://www.nationalservice.gov>; U.S. Department of Labor, Bureau of Labor Statistics, *Volunteering in the United States*, <http://www.bls.gov/cps>.

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